

The **Utah General Aviation Association** (which is comprised of numerous aircraft owners, operators and maintenance personnel in Utah) wishes to make the following observations and suggestions with regard to aircraft registration, fees, taxation and the State Aeronautics budget in Utah:

- 1) Property taxes on aircraft are currently set at .4% of valuation. This money, collected by the counties goes into the uniform School fund.
- 2) Taxes on fuel for non-air carrier aircraft in the State of Utah are set at \$.09 per gallon. These funds are directed to the Utah State Department of Aeronautics and/or cities owning the airports where the fuel is sold. (Please see attached Utah Code document)
- 3) The Utah State Department of Aeronautics (under the Department of Transportation) is responsible for maintaining airports and other aeronautical facilities in the State, as well as operating and maintaining a fleet of State aircraft. At present, available funds fall far behind what is required to maintain our airports in their present condition, much less improve them.

Here are the problems:

### **TAXES:**

Aircraft valuation keeps going up even as the aircraft are getting older. For example, a Cessna 172 aircraft which originally sold in 1969 for about \$7,000 is now valued at over \$42,000, and it is now 38 years old.

The property taxes paid by aviation do not go to support aviation, but rather go to the county general fund and the school fund. In the overall scheme of things, this is not a large amount of money for the counties and schools, indeed, many counties in Utah do not even bother to tax their based aircraft. It is however a very substantial amount for some aircraft owners.

Due to the tax situation, a local regional airline bases none of its aircraft in Utah, and carries out all its non-emergency maintenance in other states (High-tech jobs that could be in Utah). Most large business aircraft are registered and “based” out of state, even though they are locally owned.

### **AIRCRAFT REGISTRATION FEES:**

Currently all propeller driven aircraft are assessed an annual registration fee of \$25. Turbojet powered aircraft are charged \$5,000 (or \$10,000 if they weigh more than 12,500

pounds).

There needs to be a more equitable registration fee schedule. Example: A brand new King Air B200 is valued at approximately \$4 million, but because it's propeller driven the registration fee is only \$25, while a ten year old Cessna Citation jet valued at \$2.5 million costs \$5,000 to register because it's a jet.

There are now two manufacturers of a new class of jet aircraft called Very Light Jets (VLJ's) in Utah. The Adam Aircraft 700 VLJ will soon be manufactured at the Ogden airport and Spectrum Independence plans to manufacture a VLJ at the Spanish Fork airport. The purchase price of one of these new jets will be nearly half what a new King Air 350 turboprop airplane costs, yet the registration fee will be \$5,000 vs. \$25 for the turboprop.

As a result of the tax and fee structure, numerous high end aircraft end up being based in surrounding states, even though for all practical purposes, they are operated from Utah. The current tax and fee structures will continue to discourage jet aircraft owners from registering their aircraft in Utah.

Automobiles in Utah are "taxed" with a flat fee based on age. Many surrounding states have aircraft registration fees that are either nominal or are based on the aircraft gross weight.

Aircraft owners in Utah do not object to paying a fair tax, but every owner and operator we have contacted feels that the rates should be equitable and that the resulting revenue should go to support the aviation infrastructure.

### **Our recommendation is as follows:**

Set a property fee in lieu of taxes for all aircraft to be \$.01 per pound of gross weight. This amount would continue to go to the counties. Set the state fee for registration also to \$.01 per pound. This rate should cover the costs of registration and maintenance of appropriate records by the State Division of Aeronautics. As an incentive to register, aircraft owned, based and operated in Utah that do not register would become liable to full property taxation.

Set the fuel taxes for general aviation aircraft (ie non-commercial operators) to a value that would bring the total amount of funds paid by aircraft to the amount now paid, and dedicate those funds to Utah State Aeronautics Restricted Account.. This way the majority of aviation taxes paid would go to benefit the tax payers paying the taxes. In addition, the those using the resources (airports and facilities) the most heavily would end up paying proportionately to their use.

At a time when tax revenues are up and the state will have a surplus (much of which will be dedicated to education), we should make a change.

## **FUNDING PROBLEMS WITH AERONAUTICS:**

### **STATE AIRCRAFT OPERATIONS:**

The State of Utah owns two Beech King Air aircraft that are used to transport employees of state agencies conducting official business. The Utah Division of Aeronautics has the responsibility to schedule, crew and maintain these aircraft. Agencies that use the aircraft are charged an hourly rental rate to recover the direct operating costs of the aircraft, but it's not enough to cover the total operating costs. The difference is subsidized with airport construction funds.

Aviation fuel taxes are collected for the purpose of helping maintain and improve Utah's system of airports. The funds are distributed as grants to airport sponsors to address safety issues, maintain runway, taxiway and apron pavements. State aircraft are operated for the benefit of all state agencies, not for the benefit of the airports. Funds needed to subsidize state aircraft operations should come from the General Fund and not from aviation fuel taxes collected for airport construction. Last year over \$200,000 of airport construction funds were used to subsidize state aircraft operations.

Funding for the purchase of replacement state aircraft should also come from the General Fund, not from airport construction funds. There is no shortage of big-ticket airport construction projects that need to be done throughout Utah's airport system. When replacement aircraft are purchased using airport construction money (millions of dollars), Utah's entire airport system suffers. Fuel taxes collected to fund airport construction projects should not be used to purchase state aircraft.

Annual appropriations for airport construction should have non-lapsing authority. Large construction projects are not reasonably accomplished in a single fiscal year (which begins in July). By the time a project is planned, announced and bid, it likely will run into deteriorating weather and not be able to be finished during that fiscal year.

As an example: Currently, if the Division of Aeronautics is authorized to spend \$100 dollars on airport construction and only \$75 is spent in that fiscal year, the unspent \$25 is returned to the Aeronautics Restricted Account. The Division of Aeronautics is not allowed to carry forward the \$25 to the next fiscal year. This has the effect of reducing the amount of money being spent on airport projects, and providing a false sense of growth in the Restricted Account. No other agency competes for the funds held in the Aeronautics Restricted Account. Non-lapsing authority would make it possible to have more airport construction projects in progress without having to comply with a formal and

time consuming procedure to “recapture” unspent money.

#### ADDITIONAL NOTES:

The definition of “certificated air carriers” needs to be changed to remove a loophole to avoid fuel taxes that could be used by “casual” part 135 operators such as corporations which have aircraft, but do not carry passengers on a regular basis for hire. This was corrected in HB414.

The additional \$ .08 per gallon as defined in HB414 was too high. The fee and tax structure in HB414 would have increased costs for small aircraft well above their present costs. The numbers need to be reworked to equalize revenues collected to match the current